



Doncaster Council

Date: 2nd November 2018

**To the Chair and Members of the
OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE**

BREXIT

Relevant Cabinet Member(s)	Wards Affected	Key Decision
All	All	No

EXECUTIVE SUMMARY

1. The UK is due to leave the European Union (EU) on 29th March 2019, triggering a transitional period where the UK will retain the benefits of the single market and customs union until 31 December 2020, albeit losing its role in any decision-making institution.
2. However, it is not widely recognised that there are over forty years of legally binding commitments and partnership arrangements that remain in place which the UK Government and the EU will have to redraw or end. Estimates of the cost involved in the UK extracting themselves from these commitments vary from £36billion to over £100bn and could take up to 30 years.
3. The purpose of this report is to appraise the Overview and Scrutiny Management Committee on the latest discussions and risks surrounding Brexit, and to detail the mitigating actions we are taking to prepare for the 29th March 2019.

EXEMPT REPORT

4. The contents of this report are not exempt.

RECOMMENDATIONS

5. The Overview and Scrutiny Management Committee are asked to note the contents of the report and continue to monitor the situation.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. The implications of Brexit on UK residents is hugely significant, with the agenda ever evolving as Government determine the different elements of legislation currently passing through Parliament; the report attempts to

highlight such impacts for Doncaster residents whilst recognising interventions and reforms in most part will be out of the control of Doncaster Council.

BACKGROUND

7. The Government has already made provision for EU regulations (laws) in the EU Withdrawal Bill (July 2017). This Act repeals the 1972 Act which took the UK into the European Union Single Market and commits the UK to retaining EU regulations agreed before 29th March 2019 in UK law. Thereafter, the UK Government will have sole responsibility to amend or delete UK laws.
8. Importantly, this briefing is set within the context of a UK debate on devolution and reform of the Local Enterprise Partnerships (LEPs). Local government leaders continue to press for Brexit to lead to increased devolution.

OPTIONS CONSIDERED

9. The deliberations contained within this report are based on scenario planning for both soft and hard Brexit. The options available to us as a Local Authority may be limited given our ability to influence the legislative reforms currently being debated by Parliament, however for the purpose of this report, the option presented to the Overview and Scrutiny Management Committee is of continued monitoring of the situation, ensuring any planned remedial interventions are actioned appropriately and in a timely manner.

REASONS FOR RECOMMENDED OPTION

10. Given the implications arising from Brexit it is appropriate to continue to monitor the impact that this will have on Doncaster, ensuring the risk mitigations that are discussed within this report are actioned in a timely and appropriate manner; failure to understand and mitigate the risk could result in a loss of financial resources or a detrimental impact on economy.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<p>The health of Doncaster's economy (jobs, growth and trade) is dependent on whether local business is able to plan investment based on a new trading relationship with the EU.</p> <p>All businesses are seeking a resolution to the UK's trading position. Once this is available, Team Doncaster will be able to determine its priorities for a new working partnership with the private sector.</p> <p>The ability to support local companies to overcome BREXIT challenges will be crucial to</p>

		sustaining Doncaster's growth. If the Government review the UK assisted area designations – Doncaster must retain its current advantage.
	<p>Doncaster Living: Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>The UK will remain in Europe, although not in the European Union. Cultural events and networks will still be open to UK communities.</p> <p>Investment in the town centres - as a catalyst for increasing productivity - will be one of the themes of the new UK Shared Prosperity Fund.</p>
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	<p>In theory, Local Authorities will still be able to participate in transnational EU programmes such as Horizon (research) and Interreg (knowledge exchange).</p>
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	<p>The Local Government Association is seeking guidance from Government on the implications for care responsibilities, particularly those with 'settled' status.</p>
	Connected Council:	

	<ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	<p>Operations within the Council may need to adjust to new UK law e.g. human rights legislation and immigration policy.</p> <p>Council's role as community leaders will come to the fore.</p>
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RISKS AND ASSUMPTIONS

11. **EU Funding** - The EU has provided pro-rata over £100m for local infrastructure/business support/skills projects within Doncaster. The current programme 2014-2020 will not be affected and end on 31st December 2020.
12. **Replacement for EU funding post 2020** - Little detail has emerged on the Shared Prosperity Fund (SPF), other than it will be used to support the emerging UK Industrial Strategy. Places in England with a Mayoral Combined Authority will have a single strategy led by the Mayor and supported by the Local Enterprise Partnerships (LEPs). Discussions with Government suggest up to £1.6bn being divided amongst LEP areas, with the first Local Industrial Strategies agreed with Government by March 2019.
13. **Procurement** - EU procurement regulations are built into UK Procurement Law, however a hard Brexit may exclude the UK from procuring services and works contracts through EU systems or in a soft Brexit, mean that the UK has to remain compliant to all EU procurement rules to access the single market. Potentially, DMBC may need to review all our key suppliers to understand their EU dependencies for supply of goods, services and workforce and consider what information and data is stored by suppliers in the EU. Yorkshire Procurement Managers are meeting with Crown Commercial Services to consider implications for Procurement.
14. **Migration** - EU economic migrant levels have softened since the start of the year. The overall number of *new migrant workers* arriving in Doncaster in 2017 was just under 2,870, a decrease of around 750 compared to the previous year. During the Implementation Period:
 - UK nationals will be able to visit, live and work in the EU as they do now;
 - EU citizens and their family members who, by 31 December 2020, have been continuously resident in the UK for five years will be eligible for 'settled status', enabling them to stay indefinitely;
 - **Local Authorities are seeking clarity from the Government on the implications for Councils as providers of care and support.**

15. **Impact on the economy and our residents** - Regional forecasts project lower medium-term growth when the UK exits the EU, however there are specific risks that Doncaster will need to closely monitor before 29th March 2019, for example:
- **Retaining the UK's access to European airports is a UK priority; however there could be repercussions for UK airports, including Doncaster/Sheffield.** HMRC expect a degree of delays and confusion while systems adjust which would impact on the efficient running of ports and airports.
 - The UK Government is under great pressure to secure a trading arrangement that will allow the UK business to thrive, address potential transfer of operations from the UK to the EU (principally car manufacturing, aerospace and financial services) and negate the need for a hard border between Northern Ireland and the Republic of Ireland. **Local business report the biggest impacts will be anti-competitive trade barriers, restrictions on the movement of goods and raw materials and product standards.**
 - If the UK adopts a preferential trading relationship based on one set of trade rules (the Norwegian model), or a Canadian model where there will be rules for UK trade and another for EU trade, the Confederation of British Industry's (CBI) opinion is that in reality the UK's trading businesses and those in the supply chain will have to obey EU rules to trade with the EU - even if no deal is agreed.
 - In Doncaster, the Chamber of Commerce has been proactive, providing business events where local businesses are able to express their concerns. Businesses were looking to the EU meeting on 17th October 2018 to provide more clarity on whether the UK will crash out of the EU on 29th March 2018 without any transitional trading arrangements with the EU. This would put orders (currently paused because of the uncertainty) in jeopardy. If terms for Brexit are not resolved shortly, businesses warn they lack the ability to plan cash flow, secure business loans and undertake recruitment.
 - **Doncaster Chamber currently supports 153 local companies to export to the EU (and beyond); however this is felt to be only a proportion of those with the ability to do so. The Council is pressing the Sheffield City Region Growth Hub to become more effective in providing business support and export opportunities in Doncaster.**
16. **Productivity** - Productivity levels - the amount of value created for every hour somebody works – have been poor for the UK since the financial crisis and Doncaster has particularly struggled. The low wage/low skill/low productivity vicious circle affects Doncaster and Yorkshire more than most other parts of the country. UK per worker productivity has now fallen back to below its pre-recession 2007 level, with Doncaster ranking 59 out of 60 cities in the Centre for Cities report published in late 2017.

17. Our aim, through the evolving local inclusive industrial growth strategies and devolved powers, must be to drive up productivity, boost earning power and improve the quantity and quality of jobs.

FUTURE RELATIONSHIP BETWEEN THE UK AND THE EUROPEAN UNION

18. On exiting the EU, the UK will have the status of a 'third country' with influence and participation effectively 'permitted' on an ad-hoc basis by the European Commission and European Parliament. On 12th July 2018, the Government published a white paper 'The Future Relationships between the United Kingdom and the European Union' which seeks to explain the Government's preferred trading relationship to the European Union and UK citizens.
19. The Government know that in order to achieve their ambitions they will need to offer the EU a degree of influence in UK affairs including continued harmonisation with EU rules. Media focus has been on the Taxation (Cross Border Trade) Bill known as 'the Customs Bill' which will form the basis of the trade relationship with the EU.
20. The Labour Party is committed to securing the UK's participation in a customs union, pledging to vote against any withdrawal agreement that excludes this. The Government's position is to seek a unique trading relationship with the EU, however the European Commission are unconvinced that a new part in/part out agreement is achievable stating that the UK "cannot have the best of both worlds".
21. UK business continues to pressure the Government to deliver the best trade deal for the UK. The ability to support all local companies to overcome BREXIT challenges will be crucial to sustaining Doncaster's growth.
22. The Government proposals will end the annual payments to the EU, but this will be replaced by contributions for joint action in specific areas such as security and participation in EU education and research programmes.

WHAT IF THERE IS NOT AGREEMENT?

23. Most of the report is predicated on the UK and EU27 actually reaching and ratifying a withdrawal agreement before 29 March 2019. In the absence of such an agreement, the default position is the EU Treaties would cease to apply. There can be no 'transition period' without a withdrawal agreement.
24. The only way to delay the 'switch-over' in the absence of a deal before exit day is to extend withdrawal negotiations between the UK and the EU. The *Withdrawal Act* allows exit day to be delayed. This would mean that the UK would be a Member state beyond 29 March 2019. The Government has said the UK will leave with or without a deal and that it would not request such an extension. Even if it were to ask, it would require unanimous agreement from the EU27 countries.

25. Between July and October 2018 the Government published a series of 104 Technical Notes, advising business and communities what they should do in the event of a 'no deal'. This includes: traffic backlogs at UK port towns; a rise in hate crimes; the return of large numbers of largely elderly UK citizens; and macroeconomic consequences arising from trade and currency fluctuations. Locally, a working group of Chief Executive leads on resilience have been asked to consider Brexit resilience and local/regional action needed in a 'worst case scenario'. They will meet in November.
26. Negotiations between the UK Government and the EU continue with varying reports of progress. Even if the UK Government have a draft agreement with the EU by December 2018 – this will need to be ratified by Parliament.
27. At the meeting of the UK and EU on 17th October 2018 the focus was on the need to prevent a hard border between Northern Ireland and the Republic of Ireland. A "backstop" proposal from the EU would mean a customs border in the North Sea, something the UK Government is not prepared to consider as it would create a two tier system within the UK – and it is bitterly opposed by the Democratic Unionist Party (DUP) who currently hold the Conservative Party in Government.
28. As a means of breaking this impasse, both the UK and EU are considering extending the transition period up to 2021 - to give time for the Northern Ireland issue to be resolved. This would mean the UK remains part of the customs union and single market and continue payments to the EU (up to 18 billion euros) - without influence on the decisions made by the EU.

NEXT STEPS

29. The Strategy and Performance Unit, Resilience and Emergency Planning and all relevant teams across the council, will continue to monitor the situation ensuring any planned remedial interventions are actioned appropriately and in a timely manner.
30. A Local Health Resilience Partnership will coordinate information sharing and resource coordination.
31. Additional reports will be produced to cover the UK/EU negotiations programme (please see Appendix A) and developments in UK policy.

LEGAL IMPLICATIONS [SRF Date: 18/10/18]

32. Further specific legal advice will be required across a number of fields as the Brexit position develops and the implications of the UK's position becomes more defined.

FINANCIAL IMPLICATIONS [RI Date: 19.10.18]

33. The withdrawal of the UK from the EU could have far reaching financial consequences, however it is difficult to quantify the effect until the detail of the final deal is known.

34. The Council is currently in receipt of European funding. The Government intends to underwrite the UK's allocation for structural and investment fund projects under this EU Budget period to 2020 in the event of no-deal and to consult on the UK Shared Prosperity Fund, a practical successor to ESF and ERDF, this year.
35. As part of local government funding, the Council retains 49% of locally collected business rates. This percentage is due to increase to 75% from 2020/21 meaning the Council will be more reliant on business rates to fund its activities. If there is a downturn in the economy following Brexit, this could result in lower than anticipated business rates and therefore have a direct impact on the funding of the Council.
36. Financial Management will continue to monitor the Brexit negotiations and update the Medium Term Financial Forecast accordingly.

HUMAN RESOURCES IMPLICATIONS [CB Date: 19/10/2018]

37. Employment regulations prior to the 29th March 2019 will continue to apply as well as existing enforcement arrangements and workers will continue to be entitled to the same rights as those are covered under The EU (Withdrawal) Act 2018. It would seem likely that any new European Employment Regulations introduced during any transition period may well apply even though UK government representatives will not have participated in their creation. The Government have published a Guidance Document on workplace rights if there's no Brexit deal which indicates the intention to keep the majority of regulation with some amendments to reflect that the UK will no longer be a member of the EU. In the longer-term it will be easier for Parliament to cease, or amend, established rights without the intervention of the European Courts.
38. Free movement of workers will cease and it is highly likely that the UK's immigration regime will change following Brexit. This may leave the Council and other businesses at risk of losing workers especially low-skilled workers. The Government have recently introduced a toolkit to help employers and their EU staff understand and apply for UK settlement as Brexit approaches. The scheme will be phased in later this year, and will gradually open more widely until it is fully open. This will not protect the Council and other employers from the future risk of being unable to attract talent, having to increase the number of sponsored immigration applications or being unable to fill low skilled roles. There are also potential HR implications as EU funded posts cease and potential for increases in diversity incidents if tensions and divisions heighten.

TECHNOLOGY IMPLICATIONS [ET Date: 18 October 2018]

39. There are no anticipated technology implications.

HEALTH IMPLICATIONS [RS Date: 19/10/2018]

40. There are significant health implications from Brexit. These are described in this paper. National health organisations are leading on much of the risk mitigation. However local impacts are being managed through the Local Health Resilience Partnership together with the local authority. Further work to assess impacts and ensure appropriate mitigation will be needed in the run up to and beyond 29th March 2019.

EQUALITY IMPLICATIONS [CAF Date: 18 October 2018]

41. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.
42. The Council will comply with amendments to UK law implemented as a result of the UK's exit from the EU.

CONSULTATION

43. To produce this update paper consultations have taken place internally with Regeneration and Environment (Resilience and Emergency Planning), Corporate Resources (Legal and Democratic Services and Financial Management).
44. The Executive Board received an information report on BREXIT on 11th October 2018, the contents of which are contained in this report.

BACKGROUND PAPERS

45. There are no background papers to this report.

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Appendix A : Key dates in UK's divorce with EU

17 OCTOBER 2018 - EU Summit

The most likely opportunity for a final agreement on the UK divorce and a statement on future relations.

31 October 2018

The EU's Chief Brexit Negotiator insists negotiations must be complete before 31 October 2018 so allow 27 EU countries to sign off the Withdrawal Agreement.

NOVEMBER - Emergency EU summit?

A further EU summit could be needed to finalise the divorced deal if the deadlock on Ireland continues in October. May be delayed until December 2018.

DECEMBER 13 TO 14 - The last European Council of 2018

This is widely seen as the last practical date for an Article 50 divorce deal to be signed off by the UK and the EU.

JANUARY TO FEBRUARY 2019 (AT THE LATEST) - Commons approval

By now the House of Commons must approve Brexit deal. Parliament must also pass an Implementation and Withdrawal Bill, setting out the terms of Brexit.

UNTIL MARCH 29 2019 - Ratification

To take effect, the withdrawal agreement must be backed by at least 20 of the other 27 EU countries (and 65 per cent of their population). That decision must also be approved by the European Parliament. Any legally questionable elements of the withdrawal treaty could also be referred to the European Court of Justice by MEPs.

MARCH 29 2019 - Brexit day

Could produce a largely seamless transition or, if they fail to yield any deal, a much more chaotic "cliff edge" Brexit.

AFTER MARCH 30 2019 - Trade talks and transition

Full-fledged trade talks begin between the UK and the EU during the transition period. During this time most aspects of UK membership of the EU in place, including free movement across borders and membership of the customs union and single market.

DECEMBER 31 2020 - An end to transition?

A full UK-EU trade deal expected to be agreed, but given the protracted nature of such talks, this may not be achieved. The EU insists on "backstop" provisions to avoid a hard border in Ireland that will last unless and until a new arrangement is implemented.

DECEMBER 31 2021 - Goodbye to the backstop?

The UK government says it expects that any "temporary customs arrangements" introduced as part of the backstop would cease by this time because alternative measures will have been put in place. The EU is highly sceptical.

MID 2020s - Journey's end?

Many business leaders caution against relying on advanced technology to speed-up customs clearances which would need years to put in place, delaying "full Brexit" until deep into the 2020s. A less ambitious "fast track" system on the US-Canada border took decades to develop and billions of dollars in investment.